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UNCLAS SECTION 01 OF 02 MANAMA 000203

SIPDIS

DEPT FOR NEA/FO FOR PDAS LAROCCO AND DAS DIBBLE  
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DEPT PASS USTR JASON BUNTIN  
CAIRO FOR STEVE BONDY

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [KPAO](#) [KMPI](#)

SUBJECT: ROUSING RECEPTION OF FTA ROUND ONE IN BAHRAIN

**1.** SUMMARY: The United States and Bahrain held round one of Free Trade Agreement negotiations in Manama, January 26-30. Government of Bahrain (GOB) officials across the board are thrilled with the progress the negotiating teams made during the first round, and this enthusiasm was echoed in the press. Momentum going into round two is high, with many negotiators hoping to finish in two rounds. However, the Bahraini business community still seems puzzled about how the FTA can benefit them, and how their individual companies can take advantage of the upcoming trade regime changes. We need to expand outreach efforts to risk-averse Bahrainis to get them to engage with U.S. companies and capitalize on the FTA's potential. END SUMMARY

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GOVERNMENT OF BAHRAIN ECSTATIC  
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**2.** GOB officials, from lead negotiator Minister of Finance and National Economy Saif to negotiating group leaders, participants, observers and coordinators, expressed exuberance at the progress and positive tenor of round one of FTA negotiations in Manama, January 26-30. Several negotiating groups concluded or nearly concluded their work in the first round. Despite the Eid holiday immediately following the round and the fact that many key players are currently in Washington with the Crown Prince's delegation, momentum toward round two is high. Numerous Bahraini lead negotiators told ECONOFF after the round that they intend to conclude their chapters during round two, March 1-4 in Washington. Services, Environment and IPR negotiators told ECONOFF at the end of the round that MEPI-funded technical assistance prior to negotiations helped them achieve fast results. Likewise, the Environment lead told ECONOFF that working with Embassy Science Fellows in Fall 2003 helped them to better understand and articulate their technical assistance needs and thus to come to quick agreement on the substance of the proposed Environment MOU.

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PRESS POSITIVE  
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**3.** The press put an overwhelmingly positive spin on FTA negotiations, and accuracy in reporting superseded the norm. In the two weeks following negotiations, only one editorial criticized FTA, hinting that the USG should not be trusted.

**4.** Embassy paved the way for accurate reporting. A week prior to negotiations, PAO and POL/ECON invited journalists to a roundtable discussion to provide background and answer questions about FTA. Embassy provided journalists with an FTA factsheet and English/Arabic press release, both of which were widely quoted in press reports. Optimistic soundbites by lead negotiators and the palpably warm and upbeat tenor surrounding negotiations combined with AUSTR Novelli's frequent and candid engagement with the press during the negotiations may have affirmed to the media that the information they had been given by the Embassy was reliable and that FTA would stimulate the economy. EMBOFFS and Novelli were careful not to overpromise, using statistics from the experience in Jordan. The media appreciated the honesty and large amount of information provided prior to and during the negotiations. The result: widespread and accurate, in-depth coverage.

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BAHRAINI BUSINESS COMMUNITY CAUTIOUS  
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**5.** The Bahraini business community has repeatedly heard from the GOB and the Embassy the message that FTA is primarily for their benefit. Embassy has regularly and frequently sat with or addressed the Bahrain Chamber of Commerce and Industry regarding the business opportunities an FTA might create for them. Despite this outreach, DCM in Eid calls on three prominent business families February 1-2 found them curious about the FTA but puzzled about what they might do to

capitalize on it. Similarly, during the one business week since the round, businessmen from the Bahraini as well as the local U.S. business community met with ECONOFF to ask how the FTA will help their tourism, shipping, insurance and textile businesses, and, in very pragmatic terms, what to do next.

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COMMENT  
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16. GOB negotiators will continue to push the fast pace of negotiations in round two. MEPI-funded assistance was instrumental in creating this level of readiness. We need now to formulate a plan to actualize the potential--in terms of trade, investment and jobs--this FTA can offer.

17. As we have seen with Iraq reconstruction, the business community in Bahrain is curious about opportunities, but somewhat risk-averse. They will need to be guided quite directly to see opportunities FTA offers them and to learn how to capitalize on them. Bahrainis would be receptive to advice from Jordanians who have made FTA work for them. This might be one avenue to achieving FTA-generated business successes. However, we will need to be somewhat creative with resources, since Bahrain is not eligible to receive USAID funding.

FORD